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NMO STEERING BOARD MEETING

DATE : Thursday 21 June 2012 **TIME** : 10.00am
ATTENDEES : Noel Hunter (NH), Chair **ROOM** : F12
Alan Proctor (AP), Non Executive Director
Peter Cowley (PC), Non Executive Director
Mark Holmes (MH), Deputy Director, Innovation Infrastructure & Impact, BIS
Peter Mason (PM), CE, NMO
Richard Sanders (RS), Director, Regulation, NMO
Sarah Glasspool (SMG), Director, Corporate Services, NMO
Jo Symons (JS), Director, Technical Services, NMO
Paul Dixon (PRD), Director, Certification Services, NMO
Veronica Truscott (VT), Secretariat, NMO

1. Apologies for Absence/Substitutions

John Dodds (Business) – Mark Holmes to deputise, Robert Gunn (Business), Richard Frewin (Business). PEM welcomed MH.

2. Minutes of Previous Meeting of 11.01.12

The minutes of the last Steering Board (SB) meeting were approved with no amendments.

3. Matters/actions arising from Minutes of last meeting

All actions had been discharged.

4. BIS Update and CE Report

On BIS current issues, **MH** reported that BIS's perspective on the Civil Service Reform Plan issued on 19.6.12 was that most of the activity was already in hand. The terms and conditions' review (being handled for BIS by Rachel Evans, the current Director of Change and Corporate Effectiveness) left uncertainty which staff would feel for an indefinite period.

In reply to a question raised by **NH**, **MH** also reported that Sir Adrian Smith (who was stepping down as BIS Director General, Knowledge and Innovation, in August) would be replaced in November at the earliest.

PEM reported on NMO progress since the last SB meeting (briefly because e.g. monthly CE Reports had been provided to the SB). The National Physical Laboratory (NPL) Project was dominating virtually all of JS's time, a substantial part of PEM's and quite a large part of RG's.

In discussion (with **NH**, **AP** **PC** and **MH**), **PEM** also reported that he had made a number of overseas trips continuing a strategy of using NMO's international position for several purposes simultaneously: there had been an encouraging response to NMO's commercial services, there was good engagement at the level of legal metrology policy, in particular our desire to increase business involvement and use of manufacturers' test results, and most importantly we were able to foster collaboration with UK NMIs (both NPL and LGC). NMO saw these business opportunities as part of the broader BIS strategy, with which NMO therefore ensured it was connected; **MH** endorsed this approach. **PEM** had had a very successful visit to Japan earlier in 2012. India was the next preferred area but there were problems in terms of establishing relations with the authorities there.

5. Audit Committee Report May 2012

AP gave the following overview of the Audit Committee Meeting held on 21.5.12:

- NMO business management was of a high quality as in previous years, for which PEM and SMG should be commended
- The key risks had been signed off (these were mainly in respect of Estate management, and Pension Liability was new with a significant effect on the accounting process).
- Both the internal audit and NAO progress reports were fine.
- There was a new Fraud Policy document which had generated a fair amount of discussion.
- **AP** thanked SMG and PS for organising a very useful course attended by PC and himself.
- There was no consensus of support for the Report of the Impartiality Committee, which was a committee currently without a Chair.
- **AP** thanked PEM and his team for the useful Governance challenge session.
- An outstanding action was the valuation of land and the indices to be attached to that; the change had been discussed not least because of the associated risk.
- NMO risk management had been good.

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6. Annual Audit Committee Report 2011/12

SMG presented the Annual Audit Committee Report 2011/12 and in discussion (with **NH**, **AP**, **PC** and **PEM**) the following points were made:

- The report should refer to 'Non-current assets'. **ACTION: SMG to arrange for the necessary correction to be made.**
 - A new plan for 2012/13 had been agreed at the last Audit Committee Meeting.
 - There had been a conscious effort to get greater value from the internal audit input e.g. there was much liaison with the BIS Fraud team when reviewing the anti-fraud and whistle-blowing procedures. It was thought that staff felt able to use the HR whistle-blowing policy because NMO's small size and flat structure enabled 100% scrutiny, the most significant expenditure items were signed off by MB members, and in many cases by PEM (whose own claims were checked by SMG). The whistle-blowing policy should be redundant if management were transparent and staff comments on it were encouraged. The Risk Register was discussed monthly at Management Board Performance meetings.
 - NMO's Risk Register did not include the Pension Liability because that was NPL's responsibility.
- The Annual Audit Committee Report 2011/12 was approved by the SB (of which the Audit Committee was a subcommittee).

7. Financial Report for 2011/12

SMG presented the Financial Report for 2011/12 in discussion (with **NH**, **AP**, **PC**, **MH**, **PEM** and **JS**) as follows:

The commercial approach to the accounts was shown in the report's first table, but BIS's budget did not match that approach so in addition to the statement of financial position (second table) there was now a new presentation for 2011/12 separating Administration and Programme Costs.

- NMO's biggest concern going forward related to Enforcement, where Defra (with one of biggest budget cuts) were at risk of infraction proceedings if they continued to find difficulty in financing the Timber Regulations contract which they had effectively awarded to NMO and announced publicly.
- SMG gave an update on NMO's Shared Services meetings with PwC Consulting (PwC) i.e. there had been NMO data collection, an answer to some of NMO's questions, other NMO issues raised, and a further meeting planned for towards the end of July. PwC had not provided any costs to NMO, so NMO had requested copy contents of a Service Level Agreement to be issued soon. PwC were not providing enough information to make an informed business decision in Autumn 2012 about IT e.g. **PEM** noted that as NMO Accounting Officer he would want to be sure that a change to a new system would not put NMO's operation at risk. **MH** said the agenda for Shared Services was being pushed from very senior levels in BIS.. The Shared Services Centre, Research Councils UK, was chaired by Clive Grace (who **NH** said was keen to meet him on 19.7.12 about NMO, and presumably about the Shared Services issue). NMO had no problem with the principle of Shared Services (shown by a readiness to use the HR Online platform) but NMO's finance system had very low costs owing to the operational methods used and there was a further risk associated with maintaining the asset register. **ACTION: SMG to bring this issue back to the SB when necessary.**
- **NH** thanked SMG for a clean, very good set of accounts.

8. Performance Monitoring 2012/13 (with explanation of new system)

SMG presented the new NMO balanced scorecard, explaining that the new performance monitoring system had been in use from 1.4.12. As at 14.6.12 there were two areas of concern: the new pan-Government procurement system (which was difficult for common goods and services, with long lead times, a very problematic IT system, unavailability of products, and not cheaper in most cases, and would be formally reviewed in July 2012); and staff pressures owing to leavers and an increased scope of work across a number of Directorates.

9. Corporate Plan 2011-2015 - Report of progress against "Work Programme for 12 Months to 31 March 2012"

SMG presented the progress report on the 11/12 Corporate Plan work programme. This was considered to have been an extremely useful exercise, which it was agreed should be repeated and completed earlier with more commentary. A handful of comments had been received in response to a wide consultation of the Working Groups, and the concerns raised by **PC** about a year ago were improving very slowly.

ACTION: RG, RS, RF and SMG to provide more information on how far their Corporate Plan objectives were achieved in 11/12.

ACTION: VT to re-circulate the revised progress report on the 11/12 Corporate Plan work programme and include it on the next agenda.

ACTION: SMG to arrange for the 12/13 progress report on the Corporate Plan work programme to be completed earlier with more commentary.

10. Technical Services Review – Lessons learned

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PRD presented the outcome of the proposal to transfer NMO Calibration Services to NPL. In discussion the following points were made:

- The Technical Services Review (Lessons Learned) identified potential (as yet unquantified) savings for NMO regarding team structure and equipment.
- Growth across all Certification Services was being attempted.
- The review was driven not just by costs but also strategic benefits.
- For results to be obtained e.g. better communication between NPL and NMO (on which both sides had commented), lessons learned should be developed into a formal project plan .
- **PEM** commended PRD for meeting with Andy Blackmore (on Friday 15.6.12) to look at potential opportunities to work more closely with NPL.

11. NPL Project – Update

JS presented her update on NPL's future operation. In discussion, the following points were made:

- A fairly hefty agenda of bilateral discussions with stakeholders was being conducted with very encouraging interest from various groups in working more strategically with NPL. There would be a two-stage assessment of partnership models followed by decision-making on 17.7.12 at the NPL Future Development SB Meeting and hopefully a Ministerial submission in July 2012.
- Emerging issues included that Science should not be enhanced at the expense of business support; the necessarily shorter-term GOCO (Government-owned, contractor-operated) structure was not helping partners' vital long-term commitment; NPL had said that funding was insufficient; partners were developing a working method at present; regarding NPL's comment that there would be tension between providing excellent science quality and delivering for business, **JS** thought not because one led to the other; current thought on structure was that governance and ownership were distinct from management matters.
- There was a well-chosen mixture of external members on the NPL Project SB e.g. the TSB (Technical Strategy Board).
- **MH** (who had attended one NPL Project SB meeting) reported that questions to be decided were:
 - How many and what type of partnership is optimal?
 - What governance and ownership was necessary to give confidence?
 - What was the best way of ensuring appropriate management, and that mechanisms were in place to add or remove management if necessary?
 - What NMO activities might migrate to a new partnership model?
- Although the user community for the Quality of Science theme was not unanimous, the general view was that the major challenge was to obtain and maintain world leading Science within budget, with a subsidiary aim that business engagement be further improved.
- **PC** said that partners' long-term commitment was essential, but a 20-year commitment might be too narrow; he suggested a five-year contract reviewed/renewed annually which would deliver the benefits of a long-term contract and of structural issues without long-term commitment, and would allow flexibility for operational dynamics within its term.
- **NH** said the update paper needed finalising to secure top level ministerial and business interest, and perhaps sponsorship; **JS** said it would be helpful to get business singing NPL's praises in time for the Spending Review; **NH** said a vision of world class Science and Business, and the support of the highest levels of Government were required.

12. Agency Performance Related Award Scheme – confirmation of 11/12 position and approval of 12/13 approach

PEM presented this closed session for external SB members at the end of the meeting.

13. Preparations for 2013 Spending Review

MH presented this item (in the absence of RG) which was discussed (with **PC** and **PEM**) with the following points noted:

- On the basis of the announcement on 20.6.12, there would be public spending cuts until about 2017 and possibly longer, and it was not known when a decision would be made on having a next Spending Review but was advisable to be prepared in case there was one.
- Rather than considering overall cuts NMO would be considering how to continue operating even when numbers were reducing (e.g. by growth) because NMO would be in profit if it were not for NMS and, though atypical, the NMO model was not dissimilar from e.g. VCA (the Vehicle Certification Agency) or the Food and the Environment Research Agency.
- Regarding risk management, a contingency plan was being developed in preparation for the next Budget Statement in November 2012.

14. AOB

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14.1 BIS Agency Sponsorship Approach

MH presented BIS Innovation Directorate's paper on this item (which covered current activity, the extent to which it was effective, additional recommendations i.e. acting as an 'intelligent post box' for NMO, and representing NMO). Regarding the contents of the paper:

- **AP** asked if the proposals added value, and who the customer was.
- **PEM** said there had in the past been several shortcomings e.g.
 - There had been a communication breakdown but now communication channels could be rationalised
 - Recruitment without Defra income would cost NMO money and had been easier when NMO was a net-running cost Agency.

MH agreed that whilst BIS were happy to help NMO, PEM was in a better position than BIS to address certain policy issues, eg the link with other consumer policy areas.

14.2 The NMO Annual Report and Accounts 2011/12 as of 19.6.12

SMG presented this item, and the following points were noted:

- The report needed revision regarding pension costs and to include that Science provision should be appropriate to the national requirement
- The Annual Report and Accounts 2011/12 would be signed off formally at the end of the following week after Audit Committee review, and sent to the NAO (National Audit Office) to be laid in Parliament on 11.7.12.

ACTION: SMG to arrange for the above revisions to be made to the NMO Annual Report and Accounts 2011/12.

15. Date of next Steering Board Meeting/Away-day

To be confirmed. **ACTION: VT to follow up.**